Management Response

Management welcomes BDEV’s evaluation of the Bank’s Country Portfolio Review and Restructuring Policy. The analysis and recommendations of the evaluation complement BDEV’s recent Synthesis Report on the Validation of 2014-2019 Expanded Supervision Reports, which looks at non-sovereign operations (NSOs). BDEV’s evaluation is timely, as Management is planning to overhaul the country/regional portfolio review process to improve its relevance, effectiveness, and efficiency. In this note, Management responds to the principal issues raised in BDEV’s report and presents actions—planned and ongoing—that relate to BDEV’s recommendations.

INTRODUCTION

The country portfolio review (CPR) and the regional portfolio review (RPR) are important tools and processes for assessing the Bank’s portfolio of sovereign operations (SOs) and providing a framework for dialogue on implementation issues with the government and project management units. BDEV’s evaluation of these tools and processes comes at an opportune time when the Bank is working to improve quality at entry, paying greater attention to project implementation, development results, and the impact of the Bank’s operations. The key lesson of BDEV’s evaluation is the need to revise the Bank’s Country Portfolio Review and Restructuring Policy followed by the Guidelines for country portfolio performance reports (CPPRs), the latter already earmarked under the Integrated Quality Assurance Plan (IQAP). In addition, BDEV’s evaluation provides a granular analysis of such issues as frequency, the usefulness of the portfolio ratings, and the quality of country portfolio improvement plans (CPIPs). It also examines whether CPPRs have improved the portfolio over time and whether they provide the information that stakeholders need. BDEV’s evaluation focused on three areas: relevance, effectiveness, and efficiency.

RELEVANCE OF THE CPR PROCESS

BDEV’s first finding is that the CPPR format does not improve the portfolio. The CPPR focusses on processes and activities, not on results: that is, the CPPR does not measure outcomes. BDEV notes that this is not the case at other multilateral development banks, which use the CPR as a management tool to design and implement country programs, rather than as an accountability instrument as is the case at the Bank. The difference may reflect the CPR’s history: The Bank’s CPR policy and guidelines were designed to respond to Board requirements rather than to country needs. As a result, CPPRs add little when it is necessary to restructure a project or the portfolio. More or less the same issues keep recurring.

Despite these shortcomings, the CPR process is still needed to identify problems so that they do not affect the portfolio year after year. Management will take the following three courses of action, covering clarification of roles, staff guidelines and ratings.

Currently, all CPR processes are being initiated and led by a country program officer (CPO) in the country office (CO) or the regional hub. BDEV’s report highlights the need to better involve the implementation support manager who is based in the regional hub. To accomplish this, Management plans to revise the CPPR guidelines to clarify the roles of the CPO, the implementation support manager, and other staff members in the ecosystem.

Management will also produce an implementation support guidance note that will specify how Bank staff should help executing

1 The evaluation exercise has been extended to both the 1995 Bank Group Policy on Portfolio Review and Restructuring and the 2013 guidelines on Country Portfolio Performance Review, which are two separate documents with the former taking precedence over the latter.

2 CPPRs/RPRs are the main outputs of the CPR/RPR process.
agencies handle implementation challenges. This note will intersect with other Bank initiatives, such as means to promote delivery as One Bank; business process improvements, optimisation, and re-engineering; strategic right-sizing; and the Operations Academy.

Finally, Management will revamp or eliminate portfolio ratings from CPPRs, to strengthen focus towards analysis and results. The current ratings present simple average excluding all non-sovereign and multinational operations and provide no added value except as a reference point.

EFFECTIVENESS OF THE CPR IN PORTFOLIO MANAGEMENT

BDEV’s evaluation shows that CPPRs have helped identify the main causes of recurring issues. A recent analysis of PAGL portfolio audits from 2015-2019 found that the most common issues concern financial management, outstanding cash balances on special accounts, project management and coordination, project audit, procurement, and environmental safeguards. A common recommendation of CPPIs is to organise fiduciary clinics: this is being carried out by procurement staff at the country level.

The problems seem to be recurring, though, and in most cases, portfolios quality do not improve. More precisely, BDEV finds that CPPRs have not been particularly successful at identifying real solutions that improve the portfolio and at finding ways to ensure that recurring issues do not affect new projects.

One suggestion is to examine portfolios from a sectoral perspective, especially in countries where a sector dominates. Stand-alone CPPRs may consider drilling deeper into a sector to identify possible solutions.

Management also acknowledges the need to ensure that all CPPRs/RPPRs link to Country Strategy Paper (CSP) /Regional Integration Strategy Paper (RISP) results frameworks as well as to the results expected of individual projects within the portfolio. However, it is important to note that a CPR/RPR’s main purpose is to examine progress and blockages in the portfolio in a given year, and—most vital of all—to identify actions to improve implementation as it is taking place. Furthermore, achieving results and outcomes takes time and depends on the stage of the project. For those reasons, reporting on development results against a CSP/RISP results framework is better done periodically, in CSP/RISP completion reports and mid-term reviews. If, however, significant results are achieved, stand-alone CPPRs should highlight them, especially for example if a project is exiting the portfolio during the CPRR period.

Management will therefore consider how CPPRs might better link to CSP/RISP completion reports and mid-term reviews—both on development results and on portfolio performance. The Regional Development, Integration and Business Delivery (RDVP) will collaborate with Strategy and Operational Policies (SNSP) and Economic Governance and Knowledge Management (ECVP) on this. In addition, Management will study options for a section in the CPRR that evaluates progress towards results.

BDEV also pointed out that currently CPPRs focus solely on SOs. The CPPRs do not cover NSOs except to mention NSOs’ as a percentage of the ongoing portfolio. Going forward, regions/countries will work with other departments, such as Private Sector Support (PINS) and Resource Mobilisation and Partnerships (FIRM) departments, to ensure that CPPRs capture all operations—NSOs and trust fund grants.

Finally, BDEV suggests that many issues that affect the portfolio take time to resolve. For that reason, more thinking “outside the box” during the CPR process should be encouraged, as should sharing lessons and best practices across regions. One suggestion would be to organise brown-bag sessions for this purpose among CPOs and among different regions.

EFFICIENCY OF THE CPR

BDEV’s evaluation notes that most CPPRs have followed the CPRP guidelines, which have provided a structure. This said, lapses in the frequency of CPPRs suggests the need for new formats and new processes. In this regard, Management plans to monitor the delivery of CSPs and CPPRs on a dashboard. Because CPOs are instrumental in leading the CPR process, it is critical that the actions emanating from CPIPs be monitored more frequently, perhaps every six months, rather than waiting for the next CPRR exercise.
As for BDEV’s findings about the effectiveness of the implementation of CPIP recommendations, Management proposes to review the design and format of the CPIP and explain how to measure the actions recommended in such a way as to improve the portfolio.

Finally, the Office of the Auditor General (PAGL) audited country portfolios and produced certain recommendations. Management intends to incorporate these recommendations into its revision of the CPPR guidelines. The revised guidelines are one of three deliverables that Management plans under the IQAP. The other two are a guidance note on the assessment of implementation capacity and an implementation support guidance note.

**PORTFOLIO REVIEW AND RESTRUCTURING**

Management agrees with BDEV’s position that project restructuring, cancellations, and the use of savings under projects are essential elements of the CPR/CPPR process. Accordingly, Management proposes to monitor these elements in the new CPPR Guidelines. Management also proposes that the revised Guidelines include other portfolio KPIs, such as the status of counterpart funding, the submission of timely audit reports, and the status of special accounts and outstanding balances. Furthermore, there will be a need to clarify in the Revised Guidelines, the roles and responsibilities of the Executing Agencies to help improve the portfolio.

In this context, Management notes that SNSP has initiated a revision of the Bank Group’s Policy on Portfolio Review and Restructuring which will precede the Revision of CPPR Guidelines.

Finally, Management will build robust IT systems to enhance CPR/RPR processes in terms of analysing data for decision-making, following up on actions identified in CPIPs, and monitoring the alignment with CSPs/RISPs.

**MOVING FORWARD**

BDEV’s evaluation shows a clear imperative to majorly overhaul the CPR/RPR process to better meet the needs of Management, the Board, and Regional Member Countries and ultimately improve the portfolio in a sustainable manner. This will make it possible for the Bank to achieve stronger development results and substantially improve the design of future projects.

**CONCLUSION**

BDEV’s evaluation identifies several areas for improving CPR/RPR processes. Management’s proposals for each of BDEV’s main recommendations can be found in the Management Action Record.
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<th>Recommendation 1</th>
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<td><strong>RECOMMENDATION 1</strong> – Refocus the CPR on the analysis of portfolio problems, with a view to problem-solving and promoting progress towards a country’s development results, while using the existing and newly developed corporate level portfolio management tools for portfolio monitoring</td>
<td><strong>MANAGEMENT RESPONSE</strong></td>
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<tr>
<td>I Refocus the CPR on the analysis of portfolio problems, with a view to problem-solving</td>
<td>AGREED — Management welcomes this recommendation and is undertaking four actions in this regard.</td>
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<td>I Refocus the CPR to promote progress towards a country’s development results</td>
<td><strong>FURTHER ACTIONS:</strong></td>
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<td>I Refocus the CPR by using the existing and newly developed corporate level portfolio management tools (such as the Delivery Dashboard) for portfolio monitoring.</td>
<td>I Revise the CPRP guidelines for SOs to incorporate problem-solving actions and indicators and include a section on NSOs and trust-funded operations (with the collaboration of PINS and FIRM respectively). The deliverable will be an enhanced format and process that will be outlined in the revised CPPR guidelines. <em>(RDVP and PINS, Q3 2022)</em></td>
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<th>Recommendation 2</th>
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<td><strong>RECOMMENDATION 2</strong> – Systemize and enhance support to the country offices in the management of the country portfolio by clarifying the implementation support managers’ roles and improve coordination and cross-fertilization.</td>
<td><strong>MANAGEMENT RESPONSE</strong></td>
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<td>I Clarify the division of labour and responsibility between the Implementation Support Manager and the Country Program Officer, who manages the CPR process.</td>
<td>AGREED — Management fully agrees with this recommendation.</td>
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<td><strong>FURTHER ACTIONS:</strong></td>
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<td>I Prepare an implementation support guidance note that clarifies the implementation support manager’s role in project implementation and in the CPR/RPR process. This clarification will be part of guidance for standardising the implementation support manager’s responsibility for promoting and leading coordination with all key stakeholders (disbursements, safeguards, M&amp;E, etc.). The deliverable will be an implementation support guidance note. <em>(RDVP, Q3 2021)</em></td>
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| RECOMMENDATION 3 – Strengthen the CPIP to motivate follow-up actions to improve the health of the portfolio, track results targets and prepare it in parallel to the CSP, with annual updates in the interim where merited by the health of the portfolio | AGREED—Management fully agrees with the recommendation. Further actions:  
- Within the revision of the CPPR guidelines, revamp the format and content of the CPIP to focus on deeper, recurring country-specific issues as well as concrete outputs and indicators. The deliverable will be a revised CPIP template. (RDVP, Q3 2022)  
- Develop new formats for CPPRs/RPPRs—both for stand-alone CPPRs as well as for the CPPRs that are incorporated in CSP completion reports, new CSPs, and the Mid-term Reviews of CSPs—that review progress towards countries’ development results. The deliverable will be a revised stand-alone CPPR and CPPR/CSP template. (RDVP, Q3 2022)  
- Enhance portfolio dashboard to automate CPR/RPR processes for data analysis, results tracking, and alignment with CSP objectives. (RDVP/SNDR/ Wakanda/CHIS, Q1 2023) |
| --- | --- |
| I Strengthen the CPIP to help improve health of the portfolio as measured by the RMF  
I Strengthen the CPPR to track result targets in parallel to the CSP processes with annual updates  
I Identify portfolio issues and carry out deeper analysis with concrete actions to address them |  |

| RECOMMENDATION 4 – Prepare a policy or guidelines on project restructuring, with appropriate incentives for staff to engage in project restructuring | AGREED—Management fully agrees with the recommendations, which will be part of the restructuring guidelines. Ongoing action:  
- SNSP has launched the process for renewing the Policy on portfolio review and project restructuring. The deliverable will be a revised Policy. (SNSP with key stakeholders, Q2 2022) Further action:  
- Incorporate sections on project restructuring, project savings, and other matters to better monitor the portfolio. The deliverable will be a new format with additional sections in the revised CPPR Guidelines. (RDVP, Q3 2022) |
| --- | --- |
| I New Guidelines on project restructuring with appropriate incentives and training of staff on the procedures to be followed  
I Incorporate important portfolio issues such as restorations, special account justifications, timely audit report submissions, submission of progress and FM reports from projects and monitoring of safeguards into CPPR as distinctive sections of the report |  |

| RECOMMENDATION 5 - Enhance the CSP/RISP results monitoring in the CPR/RPR, in particular for the stand-alone CPR/RPR. | AGREED—Management agrees with the recommendation. Further action:  
- Develop new guidelines for how CPPRs should track progress against CSP results frameworks and the planned results of projects, taking into account CPPR’s annual frequency and the need to solve portfolio problems proactively. The guidelines will clarify how CPPR/RPPR data should link to CSP/RISP completion reports, which will be the main focus of country/regional results reporting, and to CSP/RISP results frameworks. The deliverable will |
| --- | --- |
| I CPR should contribute to the country results profile using the monitoring indicators in the CSP results framework  
I Align the CPR/RPR preparation to the CSP/RISP process |  |
| be a new section in the revised CPPR guidelines that focuses on results. (RDVP, Q3 2022) |